

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Marathon Oil Company
P.O. Box 3128
Houston, TX 77253-3128

Township 25 North, Range 59 East
Section 16: ALL
Section 21: ALL
1280.00 Acres
Richland County

State Tract(s):
Section 16: ALL
640.00 Acres
Trust: Common Schools

Marathon Oil Company has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

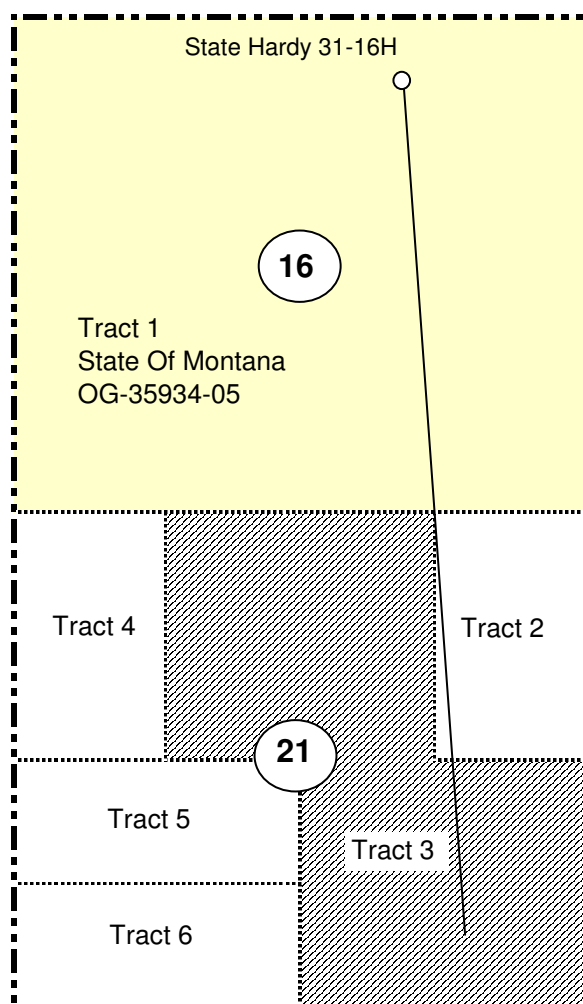
The State Hardy 31-16H well, which is a lateral horizontal Bakken formation oil well, was drilled in the NW¼NE¼ of Section 16. This spacing unit has a total of 1280.00 acres. The State owns a total of 640 acres of the 1280 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement includes the Bakken formation in Sections 16 & 21.

The State has 1 tract which comprises 50% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The State will consequently receive 6.50% of all oil production (13% royalty rate x 50% tract participation), and 6.25% of gas production (12.5% royalty rate x 50% tract participation) for Tract 1.

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

Township 25 North Range 59 East

Sections 16 & 21



Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	State of Montana OG-35934-05	640	50.00%	13.00%	0.065000
2	Borg et al	80	6.25%	16.67%	0.010419
3	Larson et al	320	25.00%	17.00%	0.042500
4	Raffael et al	80	6.25%	12.50%	0.007813
5	Raffael et al	80	6.25%	12.5 to 50%	0.007813
6	Don & Leona LaBonte	80	6.25%	12.50%	0.007813
Total		1280	100.00%		

* The Operator of the Communitized Area is Marathon Oil Company